January 3, 2025

Anuh Pharma Limited: Ratings reaffirmed; Outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term -interchangeable (CC/WCDL),	(5.00) ^	(5.00) ^	[ICRA]A-;reaffirmed and revised the outlook to positive from stable
Short-term - interchangeable (Export credit)	(60.00) ^	(60.00) ^	[ICRA]A2+; reaffirmed
Short-term, Non-fund Based Limits (Letter of credit/ SBLC/ buyers credit)	90.00	90.00	[ICRA]A2+; reaffirmed
Long-term/ short term-interchangeable (Bank Guarantee)	(90.00) ^	(90.00) ^	[ICRA]A-/ [ICRA]A2+; reaffirmed and revised the outlook to positive from stable
Total	**90.00**	**90.00**	

**Instrument details are provided in Annexure-I; ^Sub-limit of Rs. 90.0 crore non-fund based facilities*

Rationale

The revision of the outlook on Anuh Pharma Limited's (APL) long-term rating to Positive factors in its improved business and revenue outlook, driven by capacity enhancements and the launch of new products. Following a 400 MT capacity enhancement in FY2024, driven by strong demand for its products, the company further enhanced its capacities of active pharmaceutical ingredients (API) to 2,200MT from 1,800MT in the current fiscal, funded through internal accruals. This is expected to support the company's revenue growth and product diversification over the medium term. The ratings favourably consider APL's healthy financial profile and the expectation of its continuation in FY2025, supported by steady performance with limited reliance on debt, leading to robust debt protection metrics. The company's liquidity position is also strong, underpinned by healthy unencumbered cash and liquid investments of Rs. 49.4 crore and non-current investments of Rs. 51.9 crore as on September 30, 2024, against a total debt of Rs. 14.1 crore (including lease liabilities).

APL reported a healthy YoY revenue growth of 23% in FY2024, driven by healthy demand for bulk drugs, enhancement in manufacturing capacity to 1,500 MTPA from 1,200 MTPA. This expansion also contributed to an improvement in the operating profit margin to 11.8% in FY2024 from 10.2% in FY2023. The company reported a marginal YoY decline in growth in H1 FY2025 due to a combination of declining realisations and a shift in its volume offtakes for regulatory markets (which typically fetch higher realisations) to H2 FY2025. That said, with the expected pickup in demand for its high-margin products in H2 FY2025, the company is likely to report overall steady performance in FY2025 in comparison to FY2024. While erythromycin and its salts continue to account for ~32-33% of APL's revenues, ICRA notes the company's endeavour towards gradual diversification of product portfolio through its R&D efforts.

The ratings, however, remain constrained by APL's growing, although relatively moderate scale of operations with a product profile of mature and commoditised molecules, exposing its profit margins to price-based competition. Furthermore, APL remains exposed to regulatory and foreign exchange (forex) risks due to the nature of its operations. The company also remains exposed to concentration risks, with company operating out of a single manufacturing facility in Boisar (Maharashtra).

Key rating drivers and their description

Credit strengths

Established track record in API manufacturing - APL has been manufacturing APIs since 1989 with a product portfolio of erythromycin and salts and higher macrolides like azithromycin, roxithromycin, pyrazinamide and chloramphenicol. As per the company, it occupies a healthy share in the global market for its key products and is among the leaders in erythromycin and its salts.

Healthy financial risk profile - Aided by adequate retained cash flows and unencumbered cash and liquid investments, APL's dependence on external debt has remained limited. As on March 31, 2024, APL's total debt of Rs. 2.7 crore includes a short-term debt of Rs. 2 crore and lease liabilities of Rs. 0.7 crore. Further, the company maintained its cash surplus status, with unencumbered cash and liquid investments of Rs. 49.4 crore and non-current investments of Rs. 51.9 crore as on September 30, 2024. Its debt coverage indicators also remained robust, as evidenced by interest coverage of 79.5 times and debt service coverage ratio (DSCR) of 68.3 times in FY2024.

Improved business outlook – APL reported healthy growth of 23% in FY2024, driven by healthy demand for bulk drugs and an increase in API manufacturing capacity to 1,500 MT from the earlier 1,200 MT. This expansion was undertaken by technological upgrades along with market penetration and geographical expansion, as demand rose for its anti-malarial, corticosteroids and macrolides products. The business outlook for APL remains healthy, led by capacity enhancements and the launch of new products. Owing to strong demand for its products, the company further enhanced its capacities of active pharmaceutical ingredients (API) to 2200MT from 1800MT in the current fiscal, funded through internal accruals. This is expected to support APL's revenue growth and product diversification over the medium term. Further, APL has obtained the certification of suitability (CEP) for glicazide and azithromycin from European Directorate for Quality Medicine (EDQM). With this approval, the opportunity for sales in the European market and institutional business is expected to open up. Also, new products such as Ticagrelor, Dapagliflozin, Empagliflozin, Bilastine HCI, Pyronaridine Tetraphosphate and Vonoprazon Fumarate are at the development stage, which is expected to further diversify APL's product profile.

Credit challenges

Moderate, albeit growing, scale of operations – The company remains a moderate size player in the bulk drug industry despite the sustained growth in scale of operations in FY2024. The company reported a marginal YoY decline in growth for H1 FY2025 due to a combination of declining realisations and a shift in its volume offtake for the regulatory markets (which typically fetch higher realisations) to H2 FY2025. That said, with the expected pickup in demand for its high-margin products in H2 FY2025, the company is likely to report overall steady performance in FY2025 in comparison to FY2024. Timely receipt of regulatory approvals for its new products to further diversify its product profile will remain an important driver for revenues and profit margins and will remain critical for the credit perspective on an ongoing basis. The company also remains exposed to concentration risks, as it operates from a single manufacturing facility in Boisar (Maharashtra).

Product profile of mature and commoditised products exposes APL to intense price-based competition - APL's dominant product profile comprises mature and commoditised molecules, including erythromycin, pyrazinamide and corticosteroids, which exposes it to intense price-based competition. Given the commoditised nature, the margin remains susceptible to raw material movements and product sales mix, which is also reflected by margin fluctuations witnessed on a quarterly basis.

Exposure to regulatory and forex risks owing to nature of operations - APL caters to regulated markets like Western Europe and semi-regulated markets like West Asia, Latin America and Southern Europe. The company holds CEP, World Health Organization Good Manufacturing Practices (WHO GMP), Federal Committee for Protection from Sanitary Risks (COFEPRIS-Mexico) and European Directorate for the Quality of Medicines & Healthcare (EDQM) certifications for manufacturing various bulk drugs, which are reviewed on a periodic basis by the respective regulatory agencies. Moreover, the company is yet to receive approval from Pharma Copia (Japan). Following receipt of the approval, APL would be catering to the Japanese market as well. Any suspension of these certifications can impact its exports to these regulated and semi-regulated markets, as witnessed in FY2017. Further, the company will require regulatory approvals for its enhanced capacity in FY2025. The company's profit margins also remain vulnerable to forex fluctuations on account of its export operations.

Environmental and Social Risks

Environmental considerations – APL does not face any major physical climate risk. However, it remains exposed to tightening environmental regulations for breach of waste and pollution norms, which can lead to an increase in operating costs and new capacity instalment costs. This can also require capital investments to upgrade its effluent treatment infrastructure to reduce its carbon footprint and waste generation. However, APL has constantly been making efforts to minimise the impact of environmental risks on its operations. The company successfully commissioned its new expansion project in November 2024 after receiving environmental clearance from the State Government of Maharashtra. It adopts relevant techniques and methods, such as safety audits and periodic assessments for environmental, health and safety risks and takes all the required remedial measures, as and when needed, impacting the business positively. The company has also commissioned zero liquid discharge (ZLD) for the effluent treatment plant.

Social considerations – The industry faces social risks related to product safety and associated litigation risk, access to qualified personnel for R&D and process engineering, and maintenance of high manufacturing compliance standards. However, the company has also adopted an environment, health and safety policy. Further, Government intervention related to price caps/ control also remains a social risk faced by entities in the pharmaceutical industry. However, the company takes all the required regulatory approvals/ certificates before introducing any new products in the market. The company holds CEP, WHO GMP1, COFEPRIS2 (Mexico) and EDQM certifications for manufacturing various bulk drugs, which are reviewed on a periodic basis by the respective regulatory agencies.

Liquidity position: Strong

The company's liquidity profile is strong, underpinned by healthy free cash and liquid investments of Rs. 49.4 crore, and non-current investments of Rs. 51.9 crore as on September 30, 2024. Coupled with largely unutilised working capital limits, these provide a strong liquidity cushion. Against this, the company does not have any long-term debt obligations (except lease liabilities), nor any plans to incur debt-funded capital expenditure (capex) in the near term.

Rating sensitivities

Positive factors – APL's ratings may be upgraded if it significantly improves its scale of operations and profitability along with diversification of its product portfolio.

Negative factors – The ratings would be revised to Stable if the ramp-up of enhanced capacity is slower than expected, exerting pressure on profitability. Pressure on the ratings could arise in case the company's operating margins fall below 7% on a sustained basis. Any regulatory non-compliance issued to APL for its products and/or manufacturing facilities that could impact its revenues and profitability, would also be a negative rating trigger. Further, any large debt-funded capex exerting pressure on the company's credit metrics or any significant weakening of the liquidity position would be negative triggers as well.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Pharmaceutical
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Anuh Pharma Limited, a part of the SK Group of companies, is a medium-sized player in the API/bulk drugs industry, manufacturing products such as erythromycin and its salts and higher macrolides like azithromycin, roxithromycin, pyrazinamide and chloramphenicol. As per the company, it is the largest producer of erythromycin salts in India and among the top five in the world. It is also the largest producer of pyrazinamide in the world. APL's manufacturing facility at Boisar, Thane (Maharashtra), has an annual production capacity of 2,200 MT (1,900 MT APIs and 300 MT intermediates). The company also has an R&D centre at Mahape, Navi Mumbai.

Key financial indicators (audited)

APL - Standalone	FY2023	FY2024	H1 FY2025*
Operating income	527.5	647.0	303.9
PAT	36.2	60.1	24.6
OPBDIT/OI	10.2%	11.8%	9.0%
PAT/OI	6.9%	9.3%	8.1%
Total outside liabilities/Tangible net worth (times)	0.7	0.5	0.4
Total debt/OPBDIT (times)	0.0	0.0	0.3
Interest coverage (times)	72.3	79.5	89.8

*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; * Provisional*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2025)			Chronology of rating history for the past 3 years					
				FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Jan 03, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Interchangeable (CC/WCDL),	Long-term	(5.00)	[ICRA]A- (Positive)	Dec 28, 2023	[ICRA]A- (Stable)	Oct 20, 2022	[ICRA]A- (Stable)	Aug 19, 2021	[ICRA]A- (Stable)
Interchangeable (Export credit)	Short-term	(60.00)	[ICRA]A2+	Dec 28, 2023	[ICRA]A2+	Oct 20, 2022	[ICRA]A2+	Aug 19, 2021	[ICRA]A2+
Non-fund Based Limits (Letter of credit/ SBLC/ buyers credit)	Short-term	90.00	[ICRA]A2+	Dec 28, 2023	[ICRA]A2+	Oct 20, 2022	[ICRA]A2+	Aug 19, 2021	[ICRA]A2+
Interchangeable (Bank Guarantee)	Long-term/ short term	(90.00)	[ICRA]A- (Positive)/ [ICRA]A2+	Dec 28, 2023	[ICRA]A- (Stable)/ [ICRA]A2+	Oct 20, 2022	[ICRA]A- (Stable)/ [ICRA]A2+	Aug 19, 2021	[ICRA]A- (Stable)/ [ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term -interchangeable (CC/WCDL),	Simple
Short-term - interchangeable (Export credit)	Simple
Short-term, Non-fund Based Limits (Letter of credit/ SBLC/ buyers credit)	Very simple
Long-term/ short term- interchangeable (Bank Guarantee)	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click Here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit - Interchangeable	-	-	-	(5.00)	[ICRA]A-(Positive)
NA	Interchangeable (Export credit)	-	-	-	(60.00)	[ICRA]A2+
NA	Non-fund Based Limits (Letter of credit/ SBLC/ buyers credit)	-	-	-	90.00	[ICRA]A2+
NA	Interchangeable (Bank Guarantee)	-	-	-	(90.00)	[ICRA]A-(Positive)/ [ICRA]A2+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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